

KELLEY DRYE & WARREN LLP

A LIMITED LIABILITY PARTNERSHIP

WASHINGTON HARBOUR, SUITE 400

3050 K STREET, NW

WASHINGTON, D.C. 20007-5108

(202) 342-8400

FACSIMILE

(202) 342-8451

www.kelleydrye.com

NEW YORK, NY

LOS ANGELES, CA

CHICAGO, IL

STAMFORD, CT

PARSIPPANY, NJ

BRUSSELS, BELGIUM

AFFILIATE OFFICES

MUMBAI, INDIA

DIRECT LINE: (202) 342-8544

EMAIL: jheitmann@kelleydrye.com

December 7, 2011

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Notice of Oral Ex Parte Presentation - WC Docket No. 11-42

Dear Ms. Dortch:

On Monday, December 5, 2011, David Skogen of Global Connections (“Global”), Brian Lisle of Telrite Corporation (“Telrite”), Chuck Campbell of CGM, and the undersigned on behalf of Global, Telrite and other members of the Link Up for America Coalition (“Coalition”)¹ met with Lisa Hone, Wireline Advisor to Commissioner Michael J. Copps to discuss proposed reforms to the Link Up component of the Commission’s Low Income Universal Service program. During the meeting, we discussed the Commission’s proposed reforms to the Link Up subsidy program. Our comments were consistent with the comments and replies filed by the Coalition on August 26, 2011 and September 2, 2011, respectively, in the above-captioned docket. A copy of the document discussed at the meeting is appended hereto for inclusion with this letter in the record of the above-captioned proceeding.²

Specifically, we discussed the need for a national database solution and our expectation that it would be capable of eliminating most instances of waste, fraud and abuse of low income fund subsidies. We also discussed the role of industry self-regulation in general, and more specifically, the Coalition’s voluntary self-regulatory efforts to control waste, fraud and abuse. We highlighted the Coalition’s voluntary Code of Conduct, which was based largely on

¹ The members of the Coalition are Assist Wireless, Global Connections of America, NewPhone, Ready Wireless, Tag Mobile, Telrite/Life Wireless, Absolute Home Phones and Affordable Phone. Midwestern Telecommunications (MTI) is no longer a member of the Coalition.

² The document distributed at the meeting is included as Exhibit 1.

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the conditions that the Commission has imposed on other ETCs in the context of forbearance petitions to address duplicate benefits,³ and the Coalition's ongoing implementation of an interim de-duping process to address duplicates in advance of a Commission ordered database solution.⁴ The Coalition informed Ms. Hone that we believe these initiatives will produce significant near-term reductions in waste, fraud and abuse in the Lifeline and Link Up programs.

We also discussed the increasing need for Lifeline and Link Up support in low income communities and the role that Coalition members play to reach further and deeper into that market than the Lifeline-only carriers. The Coalition members use a community-based business model built on in-person contact and program-related education. Coalition members generally serve the low income community and the goals of the Low Income program by hosting events at state or county fairs, churches and with agencies that serve low income individuals (e.g., city or state welfare agencies) in order to explain the Commission's Lifeline program and to offer and initiate wireless services. This more extensive and more expensive distribution model has proven successful in reaching low-income consumers not reached by the Lifeline-only carriers. For example, Coalition members have had tremendous success in signing-up new customers in markets such as Georgia, even though they entered the market years after TracFone did. Indeed, data submitted by the Coalition in its initial comments demonstrates that TracFone's penetration rate generally tops-out at about 20 percent, leaving the vast majority of the eligible low-income market without and often unaware of Lifeline service.⁵

We also emphasized that while Coalition members compete with TracFone on a limited basis, even that degree of competition is important and has produced tangible consumer benefits. For example, TracFone has periodically provided consumers with plans including more minutes and recently claimed to reduce its rate for additional minutes in half (in response to competition).

Thus, Coalition members play an important role in advancing the Commission's goals to serve the low income community by providing education about the program, in-person service initiation, and access to mobile communications technologies essential to improving the lives of low income Americans.

The parties further explained that Link Up is currently a carrier revenue replacement mechanism designed to reimburse revenue ETCs forgo in reducing the customary

³ See Notice of Written *Ex Parte* Presentation of the Link Up for America Coalition, WC Docket No. 11-42 (filed Oct. 3, 2011).

⁴ See *id.*

⁵ See Comments of the Link Up for America Coalition, WC Docket No. 11-42 et al. at 17-18 (filed Aug. 26, 2011).

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charge for establishing telephone service, which generally takes the form of an activation fee. We explained that the current wireless industry practice is to charge an activation fee of around \$35.00 – \$36.00.⁶ The Commission originally set the Link Up cap at \$30.00 based on national average wireline connection charges of \$45.17.⁷ Therefore, if the Commission were to decide to reduce the Link Up cap for wireless ETCs, the appropriate proportional cap would be \$24.00 (\$45.17 is to \$30.00 as \$35.50 is to \$23.58).⁸

We further described Coalition members' costs of commencing service, which include administrative costs for account and phone setup and customer initial order fulfillment, new customer activation and provisioning, and initial setup for customer support and office support services.⁹ With respect to costs, the Coalition indicated that while replacing the current Link Up revenue replacement mechanism with a cost recovery program was not its preference and presented significant administrative challenges and burdens, it had nonetheless proposed a safe harbor mechanism in an effort to address some of those concerns and to generally (and rationally) reduce the level of pay-out per Link Up-eligible subscriber.¹⁰

In response to a question from Ms. Hone, the Coalition also expressed its support for the Commission's goal of bringing mobile broadband to low income Americans. In this regard, we explained that broadband-capable smartphones presently were too expensive for low income consumers to purchase or for ETCs to provide for free without low income fund subsidies. The Commission previously supported handset costs through Link Up funding and it should do so again, especially given that smartphones effectively function as an extension of a carrier's network.¹¹

In response to an additional question, Mr. Skogen explained that, in a mobile environment, providing one Lifeline service per eligible adult is more appropriate than one Lifeline service per eligible household. Mr. Skogen acknowledged that under a one per eligible adult regime, the Commission might find it prudent to limit the number of times an eligible adult can be the beneficiary of a Link Up subsidy.

⁶ See Notice of Oral *Ex Parte* Presentation of the Link Up for America Coalition, WC Docket No. 11-42 at 4 (filed Nov. 14, 2011) ("Coalition November 14th *Ex Parte*").

⁷ See *id.*

⁸ See *id.*

⁹ See *id.* at 1-2.

¹⁰ See Notice of Oral *Ex Parte* Presentation of the Link Up for America Coalition, WC Docket No. 11-42 (filed Nov. 4, 2011).

¹¹ See Coalition November 14th *Ex Parte* at 3.

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In accordance with the Commission's rules, this letter is being filed electronically for inclusion in the public record of the above-referenced proceedings. Please feel free to contact the undersigned with any questions.

Respectfully submitted,



John J. Heitmann
Joshua T. Guyan

cc: Lisa Hone